Fannie Mae®

# Multifamily Selling and Servicing Guide

## Effective as of October 26, 2026

No portion of this Multifamily Selling and Servicing Guide may be reproduced in any form or by any means without Fannie Mae's prior written permission, except as may be provided herein or unless otherwise permitted by law. Limited permission to reproduce this Multifamily Selling and Servicing Guide in print, in whole or in part, and limited permission to distribute electronically parts of this Multifamily Selling and Servicing Guide, are granted to Fannie Mae-approved Lenders strictly for their own use in originating and selling multifamily Mortgage Loans to, and servicing multifamily Mortgage Loans for, Fannie Mae. Fannie Mae may revoke this limited permission by sending 60 days advance written notice to any or all Fannie Mae-approved Lenders.

# TABLE OF CONTENTS

Part III Section 504 Seniors Housing Property Income ..... 3
504.01 Underwritten NCF ..... 3
504.02 Skilled Nursing NCF Test ..... 7
504.03 Operating Lease Ratios ..... 8
504.04 Operating Lease Analysis ..... 9
GLOSSARY ..... 10

# Section 504 Seniors Housing Property Income

## 504.01 Underwritten NCF

### ☑ Requirements

You must use the following table to calculate Underwritten NCF for Seniors Housing Properties.

| REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY) | | |
|---|---|---|
| Item | Function | Description |
| CALCULATION OF NET RENTAL INCOME | | |
| 1 | | GROSS RENTAL INCOME per Item 1 in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF). |
| 2 | PLUS | Medicaid income (does not include Medicare, which is included in Skilled Nursing income). |
| 3 | PLUS | Skilled Nursing income actual trailing 12-month collections for Skilled Nursing units (if 12-month collections are not available, then actual trailing 6-month collections (annualized)).[1] |
| 4 | PLUS | To the extent deducted as an operating expense, rents for other non-revenue units (e.g., model units deducted in the model apartment operating expense in the general and administrative category, or actual rent from employee units deducted in the employee operating expense in the payroll and benefits category). |
| | EQUALS | GROSS POTENTIAL RENT (GPR) |
| 5 | MINUS | Physical vacancy market rents for vacant units based on a current rent roll (multiplied by 12).[2] |
| 6 | MINUS | Concessions the aggregate amount of forgone residential rental income from incentives granted to tenants for signing leases, such as free rent for 1 or more months, move-in allowance, etc.[2] |

| REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY) | | |
|---|---|---|
| Item | Function | Description |
| 7 | MINUS | Bad debt the aggregate amount of unpaid rental income determined to be uncollectable, including any adjustments to other income for bad debt.[2] |
| | EQUALS | NET RENTAL INCOME (NRI)[1] |

1 Skilled Nursing income must not be grossed up to 100% before the 20% deduction is applied. An additional 20% is taken off the Skilled Nursing income.

2 The total of Items 5, 6, and 7 must equal the greater of:

• the difference between the trailing 3-month net rental collections (annualized) and the GPR; or
• the following percentages:
- Independent Living: if the percentage of Independent Living units is greater than 50%, then use 5% of GPR.
- Assisted Living (60 total units or more): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimers/Dementia Care units is 50% or greater, then use 5% of GPR.
- Assisted Living (less than 60 total units): if the percentage of Assisted Living units or the combined percentage of Assisted Living and Alzheimers/Dementia Care units is 50% or greater, then use 10% of GPR.
- Alzheimers/Dementia Care: if the percentage of Alzheimers/Dementia Care units is 100%, then use 10% of GPR.
- Skilled Nursing units: use 20% of collections based on the trailing period used in determining Skilled Nursing income in Item 3.

You must determine if NRI declined per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and adjust Underwritten NRI as required.

| CALCULATION OF ASSISTED LIVING SERVICE INCOME AND OTHER INCOME | | |
|---|---|---|
| 8 | PLUS | Trailing 12-month nursing/medical income (includes Assisted Living service income). |
| 9 | PLUS | Trailing 12-month ancillary income attributable to Skilled Nursing units, if applicable. |

| REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY) | | |
|---|---|---|
| Item | Function | Description |
| 10 | PLUS | Trailing 12-month other income for second resident fees, meals, tray service, laundry, special transportation, community fees, parking revenue, and any other income. |
| CALCULATION OF NET ENTRANCE FEE INCOME | | |
| 11 | PLUS | Net entrance fee income associated with CCRCs resident entrance fee collections minus entrance fee refunds, but not more than the annualized average of the trailing 60-months of net entrance fee income. |
| CALCULATION OF COMMERCIAL INCOME | | |
| 12 | PLUS | Actual income from leased and occupied commercial space per Part II, Chapter 1: Attributes and Characteristics, Section 111: Commercial Leases. |
| 13 | MINUS | 10% of the actual commercial space income.[3] |
| 14 | PLUS | Commercial parking income (e.g., public parking) that does not exceed actual trailing 12-month collections.[3] |
| | EQUALS | EFFECTIVE GROSS INCOME (EGI) |
| 3 If net commercial income is greater than 20% of EGI, then reduce to 20% of EGI. | | |
| CALCULATION OF OPERATING EXPENSES | | |

| REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY) | | |
|---|---|---|
| Item | Function | Description |
| 15 | MINUS | Line-by-line stabilized operating expenses.<br><br>Stabilized operating expenses are the expenses during normal ongoing Property operations, not affected by a<br><br>• lease-up,<br>• rehabilitation, or<br>• other short-term positive or negative factors.<br><br>Non-recurring, extraordinary operating expenses must not be included.<br><br>You must assess:<br><br>• past operating history;<br>• the Appraisers expense analysis;<br>• all information available to you (including Property contracts, utility bills, real estate tax assessments, insurance policies, and comparable assets); and<br>• the Borrower's budget (in the case of an Acquisition).<br><br>You must:<br><br>• analyze historical operations at the Property; and<br>• apply an appropriate increase over the prior years operations in determining an estimate. |
| 16 | MINUS | Property management fee equal to the greatest of:<br><br>• 5% of EGI;<br>• actual property management fee, including any known contractual fee increases occurring over the next 24 months; or<br>• Appraiser's concluded market property management fee. |
| 17 | MINUS | Real estate taxes per Item 17(b) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF). |

| REQUIRED UNDERWRITTEN NCF (SENIORS HOUSING PROPERTY) | | |
|---|---|---|
| Item | Function | Description |
| 18 | MINUS | Insurance per Item 17(c) in Part II, Chapter 2: Valuation and Income, Section 203.01: Underwritten Net Cash Flow (Underwritten NCF). |
| 19 | MINUS | Room expense housekeeping, if applicable. |
| 20 | MINUS | Meals expense, if applicable. |
| 21 | MINUS | Utilities, water and sewer, repairs and maintenance, payroll and benefits, advertising and marketing, professional fees, general and administrative, ground rent, and all other expenses per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis. |
| | EQUALS | UNDERWRITTEN NET OPERATING INCOME (UNDERWRITTEN NOI) |
| 22 | MINUS | Replacement Reserve expense per Part III, Chapter 5: Seniors Housing Properties, Section 505: Replacement Reserve. |
| | EQUALS | UNDERWRITTEN NCF |

## 504.02 Skilled Nursing NCF Test

### Requirements

Fannie Mae will not purchase any Mortgage Loan if the Skilled Nursing NCF is more than 20% of the Property's NCF.

You must:

- Calculate the Skilled Nursing NCF at underwriting to determine if the Property will meet this Skilled Nursing NCF test.
- Retest all Properties with Skilled Nursing units annually after closing to ensure compliance.
- Contact the Fannie Mae Deal Team to ensure the Loan Documents for any transaction with Skilled Nursing units include appropriate modifications.

The Skilled Nursing NCF test is a Property-specific test. You must separately test a Property with Skilled Nursing units, if the Mortgage Loan is

- secured by multiple Properties, or
- cross-defaulted or cross-collateralized with another Mortgage Loan.

You must use the following table to calculate the Skilled Nursing NCF.

| REQUIRED SKILLED NURSING NCF AND PERCENTAGE (SENIORS HOUSING PROPERTY) | | |
|---|---|---|
| Item | Function | Description |
| SKILLED NURSING EFFECTIVE GROSS INCOME | | |
| 1 | | SKILLED NURSING INCOME actual trailing 12-month collections for Skilled Nursing units (if 12-month collections are not available, then actual trailing 6-month collections (annualized)). |
| 2 | MINUS | 20% of collections based on the trailing period used in determining the Skilled Nursing income. |
| 3 | PLUS | Ancillary income attributable to Skilled Nursing units. |
| | EQUALS | SKILLED NURSING EFFECTIVE GROSS INCOME (EGI) |
| SKILLED NURSING EXPENSES | | |
| 4 | MINUS | Fixed expenses greater of actual or allocated fixed expenses (e.g., real estate taxes, liability insurance, etc.) for Skilled Nursing units. |
| 5 | MINUS | Variable operating expenses for Skilled Nursing units. |
| | EQUALS | SKILLED NURSING NCF |
| 6 | DIVIDED BY | Underwritten NCF per Part III, Chapter 5: Seniors Housing Properties, Section 504.01: Underwritten NCF. |
| | EQUALS | SKILLED NURSING NCF PERCENTAGE |

## 504.03 Operating Lease Ratios

☑ Requirements

If the Seniors Housing Operator

- does not have any direct or indirect ownership interest in the Borrower or the Key Principal, or
- is not a Person Controlled by, under common Control with, or which Controls, the Borrower or Key Principal, then you must ensure that the Property meets the following ratios:

| Ratios | Requirements |
|---|---|
| Operating Lease Coverage Ratio | The minimum underwriting ratios for Underwritten NCF to current year operating lease payments are:<br><br>• 1.10 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and<br>• 1.15 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units. |
| Operating Lease Payment to Debt Service Payment Ratio | The minimum underwriting ratios of the current year operating lease payments to the underwritten fixed rate debt service payments are:<br><br>• 1.15 for Seniors Housing Properties where more than 50% of the units are Independent Living units; and<br>• 1.20 for Seniors Housing Properties where 50% or more of the units are Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units. |

## 504.04 Operating Lease Analysis

### Requirements

Before finalizing the Loan Documents, you must:

- Obtain a copy of each management agreement, operating lease, master lease, and sublease including all exhibits and amendments.
- Upload into DUS Gateway a completed Seniors Housing Operating Lease Review Checklist (Form 6487.SRS) that analyzes the
  - underwriting and legal aspects of each lease and its impact on the operations of the Property, and
  - obligations of the Borrower, each Guarantor, and the Seniors Housing Operator under the Loan Documents.

# Glossary

## A

| | |
|---|---|
| Acquisition | Any Purchase of either the:<br>• Propertys fee simple or leasehold interest via a deed transfer; or<br>• Controlling Interest in the Borrower.<br><br>**Synonyms**<br>• Acquisitions |
| Appraiser | Person engaged to estimate a Propertys market value per USPAP.<br><br>**Synonyms**<br>• Appraiser's<br>• Appraisers |
| Assisted Living | Seniors Housing Property offering services limited to non-medical personal care, including ADL assistance, which are typically licensed and regulated by a state or local governmental authority.<br><br>**Synonyms**<br>• AL |

## B

| | |
|---|---|
| Borrower | Person who is the obligor per the Note.<br><br>**Synonyms**<br>• Borrowers<br>• Borrower's |

## C

| | |
|---|---|
| Continuing Care Retirement Community | Seniors Housing Property that provides a continuum of care on a single campus, including any combination of Independent Living, Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units.<br><br>**Synonyms**<br>• CCRC<br>• CCRCs |
| Control | Possessing, directly or indirectly, the power to direct or cause the management and operations of an entity (e.g., through the ownership of voting securities or other ownership interests, or by contract).<br><br>**Synonyms**<br>• Controlling<br>• Controlled<br>• Controls |

# D

| | |
|---|---|
| DUS | Delegated Underwriting and Servicing |
| DUS Gateway | Multifamily pre-acquisition system, or any successor systems, recording deal registration, Pre-Review and/or waiver tracking, Mortgage Loan Commitments, and decision records. |

# E

| | |
|---|---|
| Effective Gross Income | For any specified period, the Property's total Net Rental Income, plus commercial income, plus other income, all calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• EGI |

# F

| | |
|---|---|
| Fannie Mae Deal Team | Team responsible for reviewing Pre-Review Mortgage Loans, waivers, etc.<br><br>**Synonyms**<br>• Deal Team |

## G

| | |
|---|---|
| Gross Potential Rent | On an annual basis or any specified period, the total actual and potential rent for a Property per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• GPR |
| Guarantor | Key Principal or other Person executing a<br>• Payment Guaranty,<br>• Non-Recourse Guaranty, or<br>• any other Mortgage Loan guaranty.<br><br>**Synonyms**<br>• Guarantors |

## I

| | |
|---|---|
| Independent Living | Seniors Housing providing limited programs of assistance for domestic activities (e.g. meals, housekeeping, activities, transportation, etc.), and typically resembles market rate units.<br><br>**Synonyms**<br>• IL |

## K

| | |
|---|---|
| Key Principal | Person who<br>• controls and/or manages the Borrower or the Property,<br>• is critical to the successful operation and management of the Borrower and the Property, and/or<br>• may be required to provide a Guaranty.<br><br>**Synonyms**<br>• Key Principals<br>• Key Principal's |

# L

| | |
|---|---|
| Lease | Written agreement between an owner and the tenant of a Property stipulating the conditions for possession and use of real estate for a specified period of time and rent.<br><br>**Synonyms**<br>• Leases |
| Loan Documents | All Fannie Mae-approved documents evidencing, securing, or guaranteeing the Mortgage Loan.<br><br>**Synonyms**<br>• Loan Document<br>• Mortgage Loan Document<br>• Mortgage Loan Documents |

# M

| | |
|---|---|
| Mortgage Loan | Mortgage debt obligation evidenced, or when made will be evidenced, by<br>• the Loan Documents, or<br>• a mortgage debt obligation with a Fannie Mae credit enhancement.<br><br>**Synonyms**<br>• Mortgage Loans<br>• Mortgage Loan's |

# N

| | |
|---|---|
| Net Cash Flow | At underwriting or for any specified period, the amount calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• NCF |
| Net Operating Income | At underwriting or for any specified period, the Property's total Effective Gross Income minus operating expenses.<br><br>**Synonyms**<br>• NOI |
| Net Rental Income | For any specified period, the Property's net rental income calculated per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• NRI |

# P

| | |
|---|---|
| Person | Legal person, including an<br>• individual,<br>• estate,<br>• trust,<br>• corporation,<br>• partnership,<br>• limited liability company,<br>• financial institution,<br>• joint venture,<br>• association, or<br>• other organization or entity (whether governmental or private).<br><br>**Synonyms**<br>• Persons<br>• Person's |

| | |
|---|---|
| Principal | Person who owns or controls, in the aggregate, directly or indirectly (together with that Person's Immediate Family Members, if an individual), specified interests in the Borrower per Part I, Chapter 3: Borrower, Guarantor, Key Principals, and Principals, Section 303: Key Principals, Principals, and Guarantors.<br><br>**Synonyms**<br>• Principals |
| Property | Multifamily residential real estate securing the Mortgage Loan, including the<br>• fee simple or Leasehold interest,<br>• Improvements, and<br>• personal property (per the Uniform Commercial Code).<br><br>**Synonyms**<br>• Properties<br>• Property's |

# R

| | |
|---|---|
| Replacement Reserve | Custodial Account the Borrower funds during the Mortgage Loan term for Replacements.<br><br>**Synonyms**<br>• Replacement Reserves |
| Replacements | Capital item replacements and major maintenance needs identified by the Property Condition Assessment or otherwise required.<br><br>**Synonyms**<br>• Replacement |

# S

| | |
|---|---|
| Seniors Housing Property | Multifamily residential rental property with any combination of Independent Living, Assisted Living, Alzheimers/Dementia Care, or Skilled Nursing units.<br><br>**Synonyms**<br>• Seniors Housing<br>• Seniors Housing Properties |
| Skilled Nursing | Seniors Housing Property with units that are highly regulated and provide 24-hour resident supervision and registered nursing care services. |

## U

| | |
|---|---|
| Underwritten Net Operating Income | Net Operating Income as adjusted by the Lender per Part II, Chapter 2: Valuation and Income, Section 203: Income Analysis and the applicable products and features in Part III.<br><br>**Synonyms**<br>• Underwritten NOI |